

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 NEA-10 IO-14 SS-20 NSC-10 L-03 H-03

AID-20 CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 CIEP-02 SPC-03 STR-08 TRSE-00 LAB-06

SIL-01 OMB-01 AGR-20 TAR-02 DRC-01 SCI-06 ISO-00

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TO SECSTATE WASHDC 6071

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY PARIS

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AMEMBASSY ROME

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AMEMBASSY THE HAGUE

AMEMBASSY TUNIS

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E.O. 11652: NA

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TAGS: SP, IS, TS, MO, AG, EEC, ETRD

SUBJ: EC MEDITERRANEAN POLICY

1. SUMMARY. THE EC COMMISSION HAS TABLED, FOR PERM REP AND EC COUNCIL CONSIDERATION, PROPOSALS WHICH WOULD MODIFY THE MANDATE FOR NEGOTIATIONS WITH SEVERAL MEDITERRANEAN COUNTRIES (SPAIN, ISRAEL, THE MAGHREB STATES). THE CHANGES SUGGESTED INVOLVE LENGTHENING THE TRANSITION PERIOD BEFORE MOVING TO FREE TRADE IN INDUSTRIAL PRODUCTS (FOR ISRAEL AND SPAIN), AND SOME ADDITIONAL PREFERENCES AND SLIGHTLY WIDER PRODUCT COVERAGE IN THE AGRICULTURAL SECTOR FOR ALL COUNTRIES INVOLVED. THE COMMISSION HAS NOT ADDRESSED THE QUESTION OF RECIPROCAL TARIFF CONCESSIONS FROM THE MAGHREB COUNTRIES. AS A MEANS OF MITIGATING THE DAMAGE TO THE U.S. OF THE NEW EC-ISRAEL AGREEMENT A SENIOR ISRAELI MISSION OFFICER HAS SUGGESTED THAT THE U.S. AND ISRAEL CONSIDER NEGOTIATING A SEPARATE FREE TRADE AREA ARRANGEMENT. END SUMMARY.

2. LOOKING FORWARD TO THE DECEMBER 3-4 COUNCIL MEETING, PERM REP AND COMMISSION OFFICIALS ARE CONSIDERING POSSIBLE CHANGES IN THE EC MANDATE FOR NEGOTIATIONS WITH SEVERAL MEDITERRANEAN COUNTRIES. THE MIDDLE EAST CRISIS AS WELL AS ITS IMPLICATIONS FOR COMMUNITY ENERGY SUPPLY HAVE PROVIDED AN IMPETUS TO THESE DELIBERATIONS. OUR SOURCES BELIEVE THERE IS NOW GREATER LIKELIHOOD THAT NEGOTIATIONS CAN BE COMPLETED BY YEAR END ALTHOUGH THE COMING INTO FORCE OF THE NEW AGREEMENTS WILL PROBABLY NOT OCCUR UNTIL SOMETIME DURING THE FIRST HALF OF 1974.

3. THE COMMISSION HAS NOW TABLED SPECIFIC PROPOSALS FOR MEMBER STATE CONSIDERATION. WE HAVE NOT SEEN THESE PROPOSALS BUT ON THE BASIS OF DISCUSSIONS WITH BOTH COMMISSION AND PERM REP SOURCES WE UNDERSTAND THAT THE COMMISSION PROPOSALS INCLUDE THOSE REPORTED BELOW.

4. ISRAEL. THE COMMISSION RECOMMENDS THAT THE COMMUNITY GO PART WAY IN MEETING THE ISRAELI REQUEST FOR A LENGTHENED TRANSITION PERIOD BEFORE MOVING TO FREE TRADE LIMITED OFFICIAL USE

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ON INDUSTRIAL PRODUCTS (EC BRUSSELS 4334). THE COMMISSION PROPOSES THAT ISRAEL MOVE TO FREE TRADE ON 60 PERCENT OF EC INDUSTRIAL EXPORTS BY THE END OF 1979 AND ON THE REMAINING 40 PERCENT BY 1985. (ISRAEL HAD ASKED FOR A TRANSITION PERIOD ENDING IN 1989.) IN THE AGRICULTURAL SECTOR THE COMMISSION HAS PROPOSED (1) INCREASING THE PREFERENCE ON AVOCADOS TO 80 PERCENT, ON GRAPEFRUIT JUICE TO 60 PERCENT AND (2) LENGTHENING THE

CALENDAR PERIOD FOR PREFERENTIAL ACCESS OF STRAWBERRIES AND MELONS. IN ADDITION PREFERENCES WOULD BE OFFERED ON APRICOTS IN SEVERAL FORMS (INCLUDING CANNED) AND SOME VEGETABLES. THERE WAS NO CHANGE IN THE TREATMENT PREVIOUSLY OFFERED ON CITRUS (A 60 PERCENT PREFERENCE) BUT THE COMMISSION HAS RECOMMENDED THAT THE COMMUNITY CONSIDER INCREASING THIS PREFERENCE TO 80 PERCENT (AND PARITY WITH THE MAGHREB PREFERENCE ON CITRUS) IN FOUR YEARS TIME, I.E., JANUARY 1, 1978.

5. SPAIN. THE COMMISSION HAS RECOMMENDED THAT THE TRANSITION PERIOD FOR MOVING TO FREE TRADE IN INDUSTRIAL PRODUCTS BE EXTENDED FROM DECEMBER 31, 1977 TO DECEMBER 31, 1979 FOR SPAIN. (THE EC WOULD PROVIDE FREE ENTRY FOR SPANISH PRODUCTS BEGINNING JANUARY 1, 1978 AS PREVIOUSLY PROPOSED.) A SPECIAL CASE WOULD BE ECSC PRODUCTS ON WHICH BOTH SIDES WOULD MOVE TO FREE TRADE BEGINNING JANUARY 1, 1980. IN THE AGRICULTURAL FIELD THE COMMISSION PROPOSED EXTENDING BY ONE MONTH (NOVEMBER) THE 60 PERCENT PREFERENCE ON SPANISH TOMATOES AND REDUCED TARIFFS ON SEVERAL OTHER VEGETABLES AND FRUITS. THE TREATMENT FOR SPANISH CITRUS WOULD PARALLEL THAT PROPOSED FOR ISRAEL AS DESCRIBED IN PARA. 4.

6. MAGHREB. THE COMMISSION'S NEW PROPOSALS IN THE INDUSTRIAL SECTOR ARE PRIMARILY DIRECTED TOWARD ALGERIA, WHERE THE COMMISSION NOW RECOMMENDS THAT THE COMMUNITY CONSIDER RAISING THE PREVIOUSLY PROPOSED TARIFF QUOTA ON PETROLEUM PRODUCTS FROM 500,000 TONS TO 900,000 TONS. IN THE AGRICULTURAL SECTOR ALL MAGHREB COUNTRIES WOULD OBTAIN A TWO-MONTH EXTENSION (NOVEMBER AND MAY) ON THE CALENDAR FOR IMPORTS OF TOMATOES AT A 60 PERCENT PREFERENTIAL RATE. ON WINES THE COMMISSION HAS AGAIN LIMITED OFFICIAL USE

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PROPOSED THAT THE MAGHREB COUNTRIES BE ALLOWED TEMPORARILY TO EXPORT TO THE COMMUNITY WITHOUT BEING REQUIRED TO MEET THE EC REFERENCE PRICE. THE COMMISSION ALSO RECOMMENDS THAT THE MAGHREB COUNTRIES BE GRANTED ADDITIONAL PREFERENCES ON OTHER AGRICULTURAL PRODUCTS -- THESE PRODUCTS VARYING FROM COUNTRY TO COUNTRY. THESE INCLUDE, WE ARE TOLD, CONCESSIONS ON CITRUS FRUIT AND TOMATO JUICES (60 PERCENT PREFERENCE) AND ON CITRUS PUREE AND PULP IN LARGE CONTAINERS (40 PERCENT PREFERENCE).

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INFO OCT-01 AF-10 NEA-10 IO-14 ISO-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

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TO SECSTATE WASHDC 6072

INFO AMEMBASSY BONN

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7. THE COMMISSION HAS NOT INCLUDED ANY PROPOSALS WITH
REGARD TO THE TRADE RECEPROCITY ISSUE WHICH MUST BE
CONSIDERED IN THE NEGOTIATIONS WITH THE MAGHREB STATES.
THIS, THE COMMISSION IS LEAVING IN THE HANDS OF THE
MEMBER STATES. IN THE DISCUSSIONS TO DATE NO MBMER
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STATE HAS SPECIFICALLY REQUESTED ADDITIONAL CONCESSIONS FROM THE MAGHREB COUNTRIES BEYOND THOSE ALREADY PROVIDED IN THE CURRENT AGREEMENTS WITH TUNISIA AND MOROCCO. WE ARE TOLD THAT ONE IDEA BEING CONSIDERED WOULD CALL FOR A TEMPORARY STANDSTILL ON FURTHER CONCESSIONS FROM THE MAGHREB COUNTRIES. AT THE SAME TIME A CALENDAR OF FUTURE MEETINGS (RENDEZVOUS) BETWEEN THE EC AND THE MAGHREB COUNTRIES WOULD BE AGREED UPON. THIS WOULD ALLOW FOR THE POSSIBILITY OF FURTHER CONCESSIONS ON THE PART OF QE MAGHREB COUNTRIES AS THEIR ECONOMIC DEVELOPMENT PROGRESSES.

8. IN A DISCUSSION OF THE NEGOTIATIONS WITH A SENIOR ISRAELI MISSION OFFICER, WE WERE TOLD THA THE ISRAELIS ARE WELL AWARE THAT THEY MUST DO SOMETHING TO MITIGATE THE EFFECTS ON THE U.S. OF THE AGREEMENT WITH THE COMMUNITY. OUR SOURCE SAID THAT WITH TEL AVIV PRE-OCCUPIED WITH THE PRESENT CRISIS SITUATION THE LOCAL ISRAELI MISSION HAD BEEN GIVING SOME THOUGHT TO WHAT MIGHT BE DONE FOR THE U.S. ONE ELEMENT WHICH HAMPERED THEIR CONSIDERATIONS WAS THAT THEY WERE UNAWARE WHETHER THE U.S. HAS EVER SUPPLIED ISRAEL WITH A LIST OF PRODUCTS OF PARTICULAR INTEREST TO US. (THIS MAY REFER TO THE LIST MENTIONED IN TEL AVIV 1792 AND 4891.) ANOTHER PROBLEM WAS HOW TO GIVE CONCESSIONS TO THE U.S. WITHOUT EXTENDING THEM TO OTHER THIRD COUNTRIES AS WELL.

9. OUR SOURCE NOTED THAT THE PRODUCTS ON WHICH TARIFFS WOULD BE ELIMINATED FOR THE EC BY 1979 (REPRESENTING 60 PERCENT OF ISRAELI IMPORTS FROM THE COMMUNITY AS PER THE COMMISSION PROPOSAL) WERE GENERALLY NON-SENSITIVE AND SUBJECT TO RELATIVELY LOW ISRAELI TARIFFS. THE IMPACT ON U.S. TRADE WOULD, IN THE ISRAELI MISSION'S VIEW, THEREFORE BE RELATIVELY SMALL. THE PROBLEM WOULD BE MORE ACUTE IN THE LATE 70'S AND EARLY 80'S WHEN ISRAEL DISMANTLED PROTECTION AGAINST THE EC ON HIGH TARIFF ITEMS. EVEN HERE OUR SOURCE SUGGESTED THE PROBLEM MIGHT BE LESS DIFFICULT IN THE WAKE OF THE MTN. STRESSING AGAIN THAT IT REPRESENTED ONLY LOCAL ISRAELI THINKING OUR SOURCE SUGGESTED THAT IF, AS LIMITED OFFICIAL USE

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REPORTED IN THE PRESS, THE U.S. IS CONSIDERING A SECURITY TREATY WITH ISRAEL PERHAPS WE MIGHT ALSO BE PREPARED TO CONSIDER ENTERING A FREE TRADE AREA WITH ISRAEL. HE ACKNOWLEDGED SOME OF THE PROBLEMS INVOLVED IN SUCH A STEP. HE NOTED PARTICULARLY THAT WHILE THE AGREEMENT WAS MEANT, IN PART, TO IMPROVE THE COMPETITIVENESS OF THE ISRAELI ECONOMY HE WAS NOT SURE

THAT AN FTA WITH THE U.S. COULD, IF UNDERTAKEN, BE
COMPLETED ON THE SAME TIME FRAME AS THAT CONTEMPLATED
FOR THE COMMUNITY.

10. USEC WOULD APPRECIATE ANY COMMENTS FROM THE
DEPARTMENT ON THE ISRAELI FTA SUGGESTION MENTIONED
ABOVE.GREENWALD

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